

GENERAL FUND REVENUE

Total General Fund revenue for the Fiscal Year 2001 Proposed Budget is \$666.5 million, which represents a 7.4% increase over Fiscal Year 2000. General Fund revenues fund essential city services including, police, fire and life safety services, trash collection, library services, and parks and recreation programs.

The Executive Summary provides a detailed description of the revenue categories listed, including providing background information, describing the method of allocation, growth trends, and economic factors affecting the revenue source. This information provides insight into the formulation of the Proposed Fiscal Year 2001 General Fund Revenues.

The majority of General Fund revenue is generated by four major revenue sources: Property Tax, Sales Tax, Transient Occupancy Tax (TOT), and Motor Vehicle License Fees (MVLFF). Changes in the local, state, and national economic environments can impact each of these revenue sources. Other General Fund revenue sources are influenced by economic conditions as well as a myriad of non-economic factors. These factors may include a change in an existing fee or the implementation of a new policy in existing programs.

The Proposed Fiscal Year 2001 revenues were initially estimated in December 1999 with modifications made to the December forecast in late March 2000.

The detail for each department's budget shown in Volumes II and III reflect the revenues each department generates or the revenues for which they are responsible. The revenue detail is also represented by the revenue categories shown to describe the types of revenues received.

- **PROPERTY TAX**
- **OTHER LOCAL TAXES**
 - SALES TAX
 - SAFETY SALES TAX
 - TRANSIENT OCCUPANCY TAX
 - PROPERTY TRANSFER TAX
- **LICENSES, PERMITS AND BUSINESS TAXES**
- **FINES, FORFEITURES AND PENALTIES**
- **REVENUE FROM MONEY AND PROPERTY**
 - INTEREST EARNINGS
 - FRANCHISE RENTS
 - RENTS AND CONCESSIONS
- **REVENUE FROM OTHER AGENCIES**
 - MOTOR VEHICLE LICENSE FEES
- **CHARGES FOR CURRENT SERVICES**
- **TRANSFERS FROM OTHER FUNDS**
- **OTHER REVENUE**

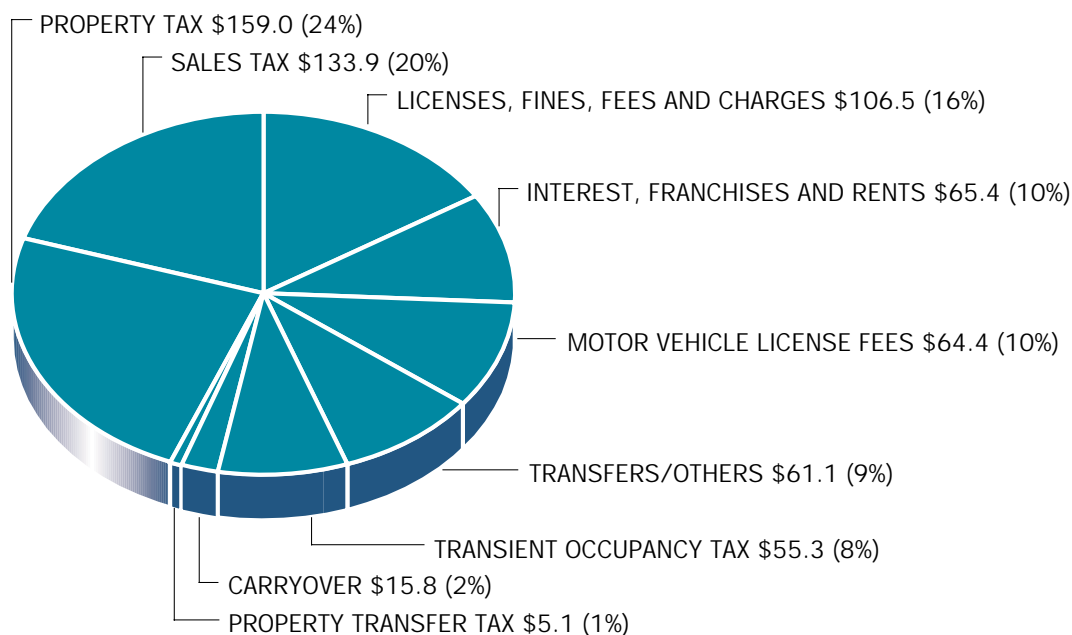
Proposed Budget Executive Summary

General Fund Revenue

GENERAL FUND REVENUES BY CATEGORY FISCAL YEAR 2000 AND FISCAL YEAR 2001

REVENUE CATEGORY	BUDGET FY 2000	PROPOSED FY 2001	% CHANGE FROM PRIOR YR	PERCENT OF TOTAL
PROPERTY TAX	\$145,165,634	\$159,025,004	9.5%	23.9%
SALES TAX	111,991,920	128,441,652	14.7%	19.3%
SAFETY SALES TAX	4,956,210	5,457,717	10.1%	0.8%
TRANSIENT OCCUPANCY TAX	52,134,510	55,307,161	6.1%	8.3%
PROPERTY TRANSFER TAX	5,220,073	5,128,920	-1.7%	0.8%
LICENSES AND PERMITS	20,204,915	20,068,771	-0.7%	3.0%
FINES FORFEITURES AND PENALTIES	25,173,346	25,897,346	2.9%	3.9%
INTEREST	4,900,000	4,900,000	0.0%	0.7%
FRANCHISES	33,633,268	36,760,768	9.3%	5.5%
OTHER RENTS & CONCESSIONS	22,427,630	23,721,594	5.8%	3.6%
MOTOR VEHICLE LICENSE FEES	55,500,708	64,399,131	16.0%	9.7%
REVENUE FROM OTHER AGENCIES	14,717,348	14,638,054	-0.5%	2.2%
CHARGES FOR CURRENT SERVICES	56,238,448	60,505,656	7.6%	9.1%
TRANSFERS FROM OTHER FUNDS	52,788,912	45,514,214	-13.8%	6.8%
OTHER REVENUE	649,168	957,968	47.6%	0.1%
CARRYOVER	15,000,000	15,750,000	5.0%	2.3%
TOTAL	\$620,702,090	\$666,473,956	7.4%	100.00%

FISCAL YEAR 2001 GENERAL FUND REVENUES (IN MILLIONS)

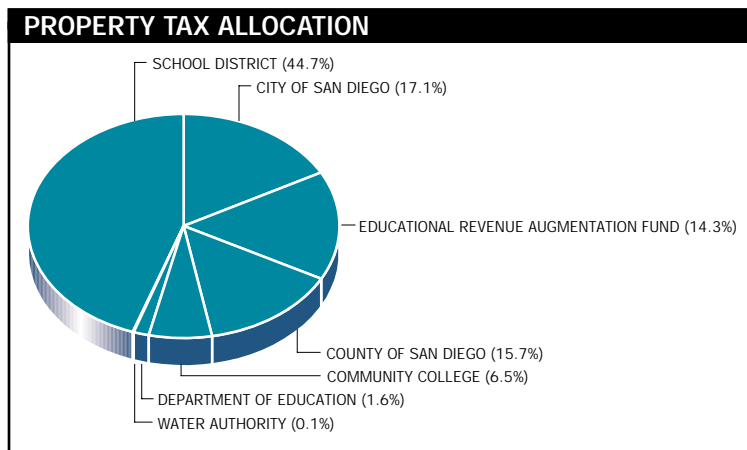


PROPERTY TAX

Property Tax Background:

Property tax revenues collected by the County Tax Collector are a result of a 1% levy on the fair market value of all real property. Passed by voters in 1979, Proposition 13 specifies that an assessed value may increase at the rate of the Consumer Price Index (CPI), not to exceed 2% per year based on the 1979 value, unless the property is improved or sold to establish a new market value.

The 1% property tax levy is collected by the County Tax Collector and distributed to a number of agencies within the City's geographic area, including the County, school districts, and special districts. For every \$100 dollars collected, the allocation to the City totals \$17.10.



Property tax revenue is also collected for purposes other than the General Fund. An additional levy over the 1% rate is collected to pay debt service on voter-approved debt. In June 1990, voters approved a \$25.5 million debt issuance to finance a new public safety communication system for the City. A special tax levy of \$5.00 per \$100,000 assessed valuation is used to fund zoological exhibits.

- Total City Budget
\$165,959,178
- General Fund Budget
\$159,025,004
- Percent of General
Fund 23.9%
- General Fund Economic
Growth Rate 10.0%

**For every \$100 dollars
collected, the allocation to the
City totals \$17.10.**

Proposed Budget Executive Summary

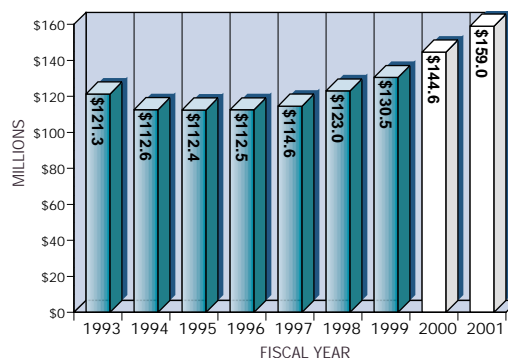
General Fund Revenue

Property Tax Trend:

Over the last decade many factors have contributed to reductions in the amount of revenue the City has received from property tax. In Fiscal Year 1993 the State took action to reduce its obligation for school funding by shifting local property tax revenues to school districts. This reallocation of funds caused a permanent shift in City property tax that has translated into a cumulative loss of over \$253.8 million. In addition to this shift in funding, the State authorized counties to charge cities for collecting and distributing property tax in the form of administrative fees. For the City of San Diego, that action has further reduced annual property tax revenues by approximately \$1.0 million.

Property tax growth has also been affected by the recession of the early nineties. Pursuant to Proposition 8, a property owner may file an assessment appeal when the market value of the property is less than the current assessed value. If the appeal is successful, the assessed valuation is lowered to reflect current market conditions. Proposition 8 also provides that the value of reassessed properties may be increased to previous levels when market values increase. As the Southern California real estate market has recovered, the impact of the assessment appeal process on property tax receipts has declined.

GENERAL FUND PROPERTY TAX REVENUES



Property Tax Future Outlook:

For Fiscal Year 2001, property tax growth is estimated at 10% over Fiscal Year 2000 projected receipts. This significant growth rate is attributable to a strong and flourishing economy coupled with increasing home values. Currently, the median sales price of a home in California has risen 17% over 1999. Sales activity in San Diego County has risen 9.6% over 1999. These factors combined with the stability of mortgage interest rates indicate projected growth in property tax receipts returning to growth levels experienced prior to the recession.

Proposed Budget Executive Summary

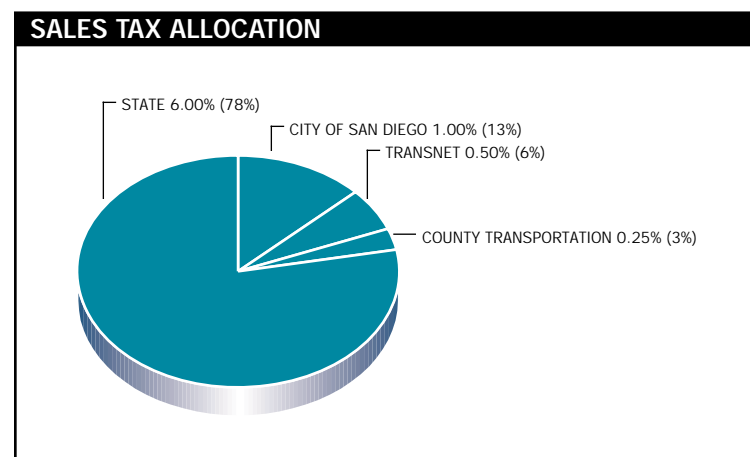
General Fund Revenue

- Total City Budget
\$178,481,202
- General Fund Budget
\$133,899,369
- Percent of General
Fund 20.1%
- Economic Growth
Rate 6.0%

OTHER LOCAL TAXES – SALES TAX

Sales Tax Background:

Sales Tax is the largest source of non-property tax revenue for the City's General Fund. The City receives one cent (or 13%) of the total sales tax levied on each dollar of taxable sales within the City of San Diego. Currently, the total sales tax rate is 7.75%.



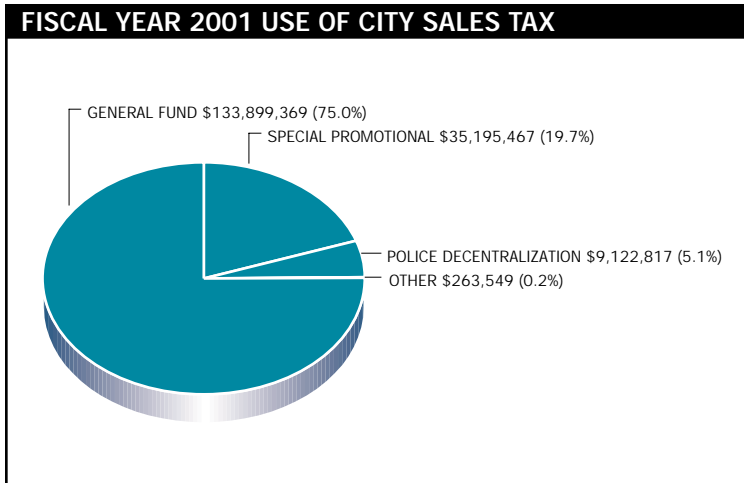
Sales tax is collected at the point of sale and forwarded to the State under the administration of the State Board of Equalization.

Sales tax is collected at the point of sale and forwarded to the State under the administration of the State Board of Equalization. The tax revenue owed to the City is returned in the form of monthly payments. The City utilizes sales tax revenues within the General Fund as well as other funds that include the Police Decentralization Fund, Special Promotional Programs, and Capital Improvements.

Included in the total City sales tax budget are funds received due to Proposition 172. This voter approved half-cent tax increase for public safety is expected to generate \$5.5 million in Fiscal Year 2001 (see "Safety Sales Tax" in this section.)

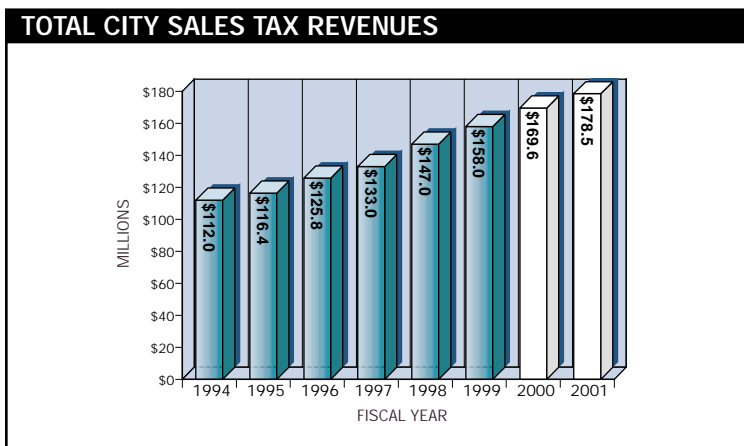
Proposed Budget Executive Summary

General Fund Revenue



Sales Tax Trend:

The economic expansion of the Southern California economy has resulted in steady increases in personal income. Record high consumer confidence and low unemployment rates during Fiscal Year 2000 have contributed to significant economic growth. Fiscal Year 2000 year-end sales tax receipts are estimated to reflect an increase of 8.6 % over Fiscal Year 1999.



Proposed Budget Executive Summary

General Fund Revenue

Sales Tax Future Outlook:

Recent economic growth in San Diego county has been concentrated in four major areas: high tech manufacturing and research (including electronics, communications equipment, scientific instruments, drugs, and biomedical equipment); professional services; tourism; and international trade. In addition to these expanding industries, the City benefits from a stable economic foundation composed of basic manufacturing (ship building, industrial machinery, television & video equipment, and printing & publishing), public and private higher education, health services, military, and local government. This diversification of the local economic base has resulted in a solid Sales Tax growth rate. In Fiscal Year 2001 Sales Tax is projected to grow at a rate of 6%. With a record low inflation rate the economy is expected to continue to grow at a more moderate rate.

OTHER LOCAL TAXES – SAFETY SALES TAX

Safety Sales Tax Background:

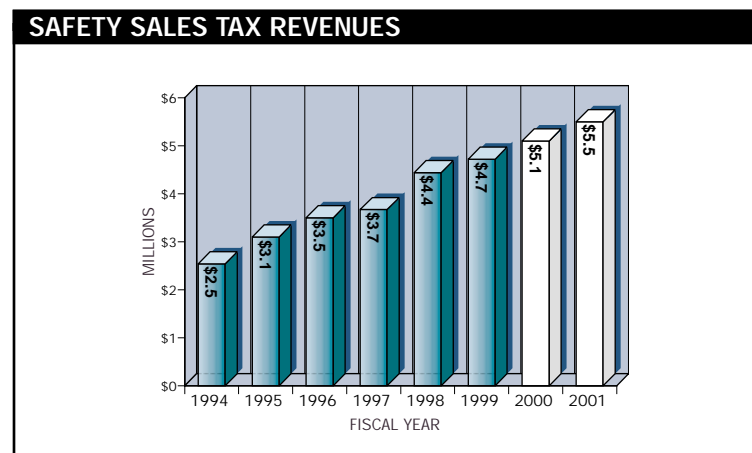
The City receives a portion of the monies derived from the half-cent sales tax approved by voters on November 2, 1993. This tax must be utilized solely for public safety services. The State Controller allocates these collected taxes back to the County Local Public Safety Fund for distribution. Cities receive five percent of the amount in the fund based upon their 1993-94 allocation that was derived from their proportional loss of property tax revenue to County school districts.

Senate Bill 8 changed the allocation system for Proposition 172 revenues and lifted the cap on the share that the City of San Diego can receive. These funds are included in the total amount reported for sales tax, and are allocated in the same fashion.

Safety Sales Tax Trend:

In June 1994, City Council Policy 500-07 was adopted which directs the use of Proposition 172 funds to new public safety expenditures, insuring an increase to existing public safety expenditure levels. Through this policy, these sales tax funds are used to augment, not supplant, existing General Fund expenditures for public safety purposes.

- Total City Budget
\$5,457,717
- General Fund Budget
\$5,457,717
- Percent of General Fund 0.8%
- Economic Growth Rate 6.0%

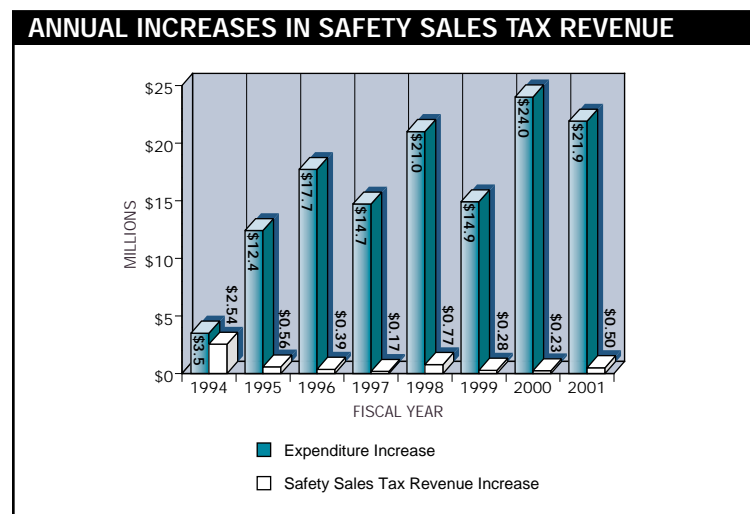


Proposed Budget Executive Summary

General Fund Revenue

Safety Sales Tax Future Outlook:

The following chart depicts revenues received due to the sales tax increase and the related public safety expenditure increases since Proposition 172 was enacted. Increases to public safety expenditures in the Police, and Fire and Life Safety Services Departments continue to far exceed the revenue increases received, insuring the City's compliance with Council Policy 500-07.

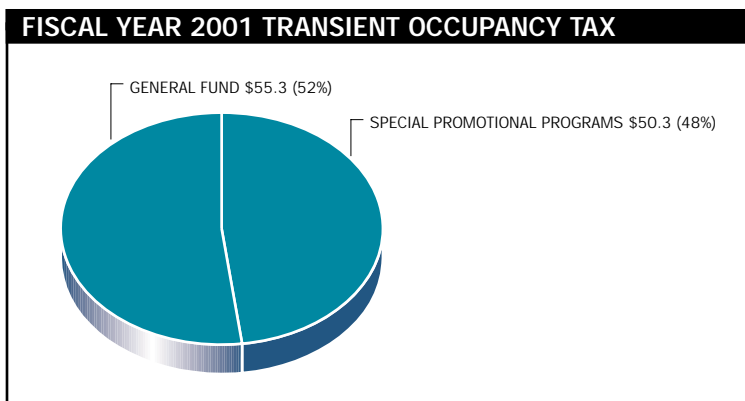


OTHER LOCAL TAXES – TRANSIENT OCCUPANCY TAX

Transient Occupancy Tax Background:

Transient Occupancy Tax (TOT) is a tax levied on the hotel/motel room rent of visitors staying in San Diego for less than one month. A one and one-half cent rate increase became effective in August of 1994, which increased the TOT rate to ten and one-half percent.

The equivalent of five and one-half cents of the ten and one-half cents TOT collected is allocated directly to the General Fund for general government related purposes. An amount equivalent to five cents TOT is allocated for various promotional and other purposes as designated by City Council policy and through the Special Promotional Programs budget. Eligible organizations may submit TOT funding requests annually.



- Total City Budget
\$105,586,398
- General Fund Budget
\$55,307,161
- Percent of General Fund 8.3%
- Economic Growth Rate 8.0% +

An amount equivalent to five cents TOT is allocated for various promotional and other purposes as designated by City Council policy and through the Special Promotional Programs budget.

Proposed Budget Executive Summary

General Fund Revenue

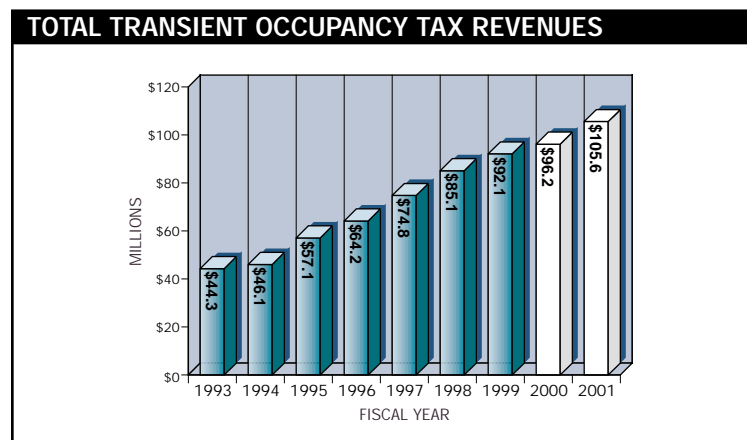
The successes of the America's Cup, Republican National Convention, and Super Bowl XXXII, along with the Convention Center have helped develop an expanding visitor industry in San Diego.

Transient Occupancy Tax Trend:

The successes of the America's Cup, Republican National Convention, and Super Bowl XXXII, along with the Convention Center have helped develop an expanding visitor industry in San Diego. The City is in a strong position for continued growth in all areas of travel and leisure due to this exposure and attractions. In fact, the Super Bowl is scheduled to return to San Diego in 2003. Associated with the growth in tourism has been an increase in traffic through San Diego's Lindbergh Field International Airport, which was expanded in 1998. According to the San Diego Unified Port District, in 1999 there were 7.6 million arrivals, up by approximately 3.0% from 1998. Hotel room demand has grown along with average daily hotel room rates. The City has one of the strongest hotel markets in the nation. Growth in demand should continue with the much-anticipated completion of the second expansion of the Convention Center in 2001. To meet the anticipated demand from tourism growth and the Convention Center expansion, numerous new hotel rooms have been proposed by developers.

Transient Occupancy Tax Future Outlook:

The economic indicators show the State of California outpacing the national forecast in economic growth. Specifically, the Southern California market is vibrant and has become more stable since becoming less dependent on the aerospace industry, contributing to a growing economy for consumers and travelers. The Proposed Fiscal Year 2001 TOT budget assumes growth in receipts of 8% over current year receipts, and additional revenue from new hotels developed and operating in the downtown area due to the Ballpark District redevelopment project.



OTHER LOCAL TAXES – PROPERTY TRANSFER TAX

Property Transfer Tax Background:

A property transfer tax is levied on the sale of real estate. The County collects \$.55 per \$500 of assessed valuation at the time ownership of real property is transferred. The City of San Diego receives half of all funds collected for transfers that occur within the City limit. Funds are collected by the County Recorder and distributed monthly to the City.

Property Transfer Tax Trend:

Property transfer taxes are highly reflective of the housing market and are generally more volatile than overall property taxes. Appreciation, or depreciation, in property values and sales volume in the local real estate market specifically affect property transfer tax revenues. Property transfer tax revenue may also be impacted by a slowdown in construction, and, in the long term, by a diminishment in the supply of City land that may be developed.

In Fiscal Year 1995 and 1996, the property transfer tax receipts were slightly below expectations. This can be attributed to higher interest rates and a flat economy. Beginning in Fiscal Year 1997, the housing market improved. The stock market boomed, interest rates dropped, consumer confidence grew, and unemployment was at a record low.

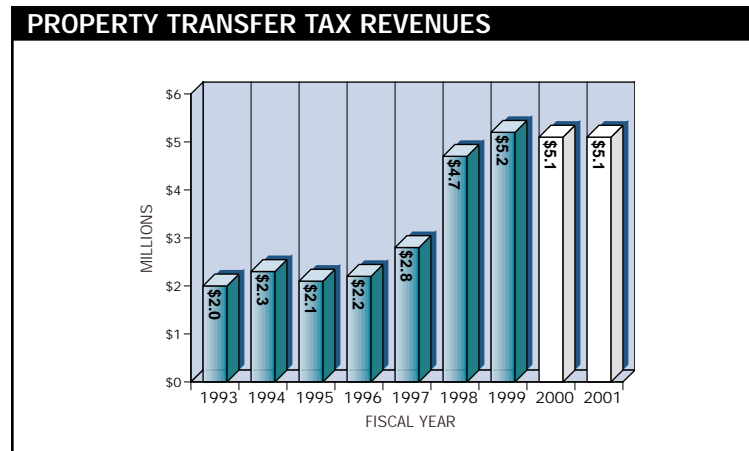
Although 1999 was the best year for new residential construction in California since 1990, it fell somewhat short of expectations in terms of increasing housing supply. In Fiscal Year 2000, home resales are estimated to reach a new record.

- Total City Budget
\$5,128,920
- General Fund Budget
\$5,128,920
- Percent of General Fund 0.8%
- General Fund Economic
Growth Rate 0.0%

In Fiscal Year 2000, home
resales are estimated to reach
a new record.

Proposed Budget Executive Summary

General Fund Revenue



Property Transfer Tax Future Outlook:

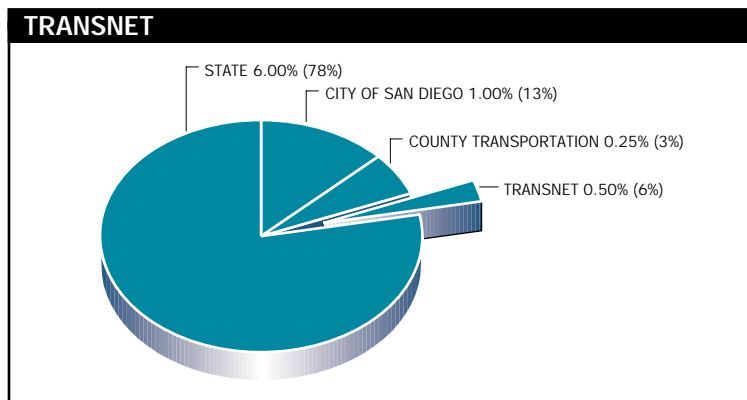
With a limited new housing supply coming to market, home prices have continued upward this year. Interest rates have remained low and home sales have continued to grow. However, with the volatility of Property Transfer Tax receipts, the Fiscal Year 2001 budget remains at Fiscal Year 2000 levels.

OTHER LOCAL TAXES – TRANSNET

TransNet Background:

On November 7, 1987 voters in the County of San Diego approved Proposition A, otherwise known as the San Diego Transportation Improvement Program (TransNet). This allowed for a one-half of one percent sales tax for a period not to exceed twenty years, beginning in 1988 and ending in 2008. Transnet proceeds are used for countywide transportation facility and service improvements, including highway improvements, trolley extension and public transit improvements, bicycle facility improvements, and local street and road improvements. The City's share of TransNet revenue is allocated from the Local Streets and Roads category and is based on population and the number of local streets and road miles maintained.

The ordinance regulating Proposition A also includes a Maintenance of Effort provision (MOE) to ensure the City spends a certain amount of discretionary funds on maintenance and improvements in the public right-of-way. If the City reduces its local discretionary funding on transportation purposes, subsequent years' TransNet funding will be reduced accordingly. The City has consistently met its MOE requirements. TransNet revenue estimates for Fiscal Year 2001 exceed \$24.4 million.



OTHER LOCAL TAXES

- Total City Budget \$24,510,380
- General Fund Budget \$0
- Percent of General Fund 0.0%
- Growth Rate 1.1%

Transnet proceeds are used for countywide transportation facility and service improvements, including highway improvements, trolley extension and public transit improvements, bicycle facility improvements, and local street and road improvements.

Proposed Budget Executive Summary

General Fund Revenue

- Total City Budget
\$78,400,813
- General Fund Budget
\$20,068,771
- Percent of General Fund 3.0%
- General Fund
Growth Rate -0.7%

LICENSES, PERMIT AND BUSINESS TAXES

Licenses, Permit and Business Taxes Background:

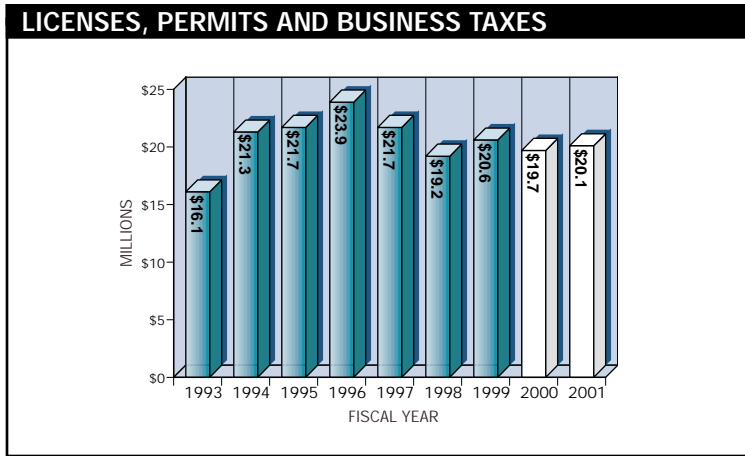
Licenses and permits generally include revenue raised for the purpose of recovering the costs associated with regulating some activity. This regulatory function is usually best performed by government due to the concern for public safety. Also included in this category are business license taxes. Other licenses and permits contained in this category for the General Fund are the rental unit tax, regulatory business licenses, bicycle licenses, street and curb permits, alarm permits and referral fees received from the City's towing operators.

The business license tax for businesses with 12 or fewer employees is a flat rate of \$34. Business license taxes for businesses with 13 or more employees are based on a flat rate of \$125 plus a fee of \$5 per employee. Rental unit taxes are calculated as a flat rate plus a fee per rental unit. Currently, the Rental Unit Tax is constructed with three tiers for residential properties and two tiers for hotel/motel properties.

Licenses, Permit and Business Taxes Trend – and Future Outlook:

General Business Tax actual receipts were \$10.3 million in Fiscal Year 1999. This represents an increase of \$588,916 over Fiscal Year 1998. Business activity and the issuances of additional permits are factors in this increase. The general business tax for Fiscal Year 2000 is budgeted at \$9.3 and expected to stay constant for Fiscal Year 2001. In other City funds, licenses and permits are the predominant source of revenues for the Planning and Development Review Enterprise Fund, comprising \$24.3 million or 57% of the fund's total revenues for Fiscal Year 2001.

Fiscal Year 2001 alarm permit fee revenue is estimated at \$2.3 million due to an anticipated change in alarm permit fee regulations.



OTHER PERMITS

Facilities Benefit Assessments (FBA)/Developer Impact Fees (DIF):

The requirement for developer-financing has been implemented by means of Facilities Benefits Assessments (FBAs). The FBA procedural ordinance authorizes the City to designate “areas of benefit” in order for the cost of constructing public facilities to be borne by the benefitting lands. The ordinance requires the preparation of a capital improvements program and financing plan, including information concerning the method of proportioning costs to the benefitting properties. The FBA is paid by the property owner upon the issuance of building permits for development or at the time the capital improvements program calls for construction of public facilities projects. FBA/DIF revenues and expenditures are reflected in the multi-year Capital Improvements Program, and are estimated to exceed \$32.0 million in Fiscal Year 2001.

Proposed Budget Executive Summary

General Fund Revenue

- Total City Budget
\$27,387,594
- General Fund Budget
\$25,897,346
- Percent of General Fund 3.9%
- General Fund
Growth Rate 2.9%

FINES, FORFEITURES AND PENALTIES

Fines, Forfeitures and Penalties Background:

This category includes revenue generated from a monetary sanction associated with the violation of a law or regulation. The subcategories of fines, forfeitures and penalty revenue include California Vehicle Code Violations, City parking and ordinance violations, and litigation awards.

Fines, Forfeitures and Penalties Trend:

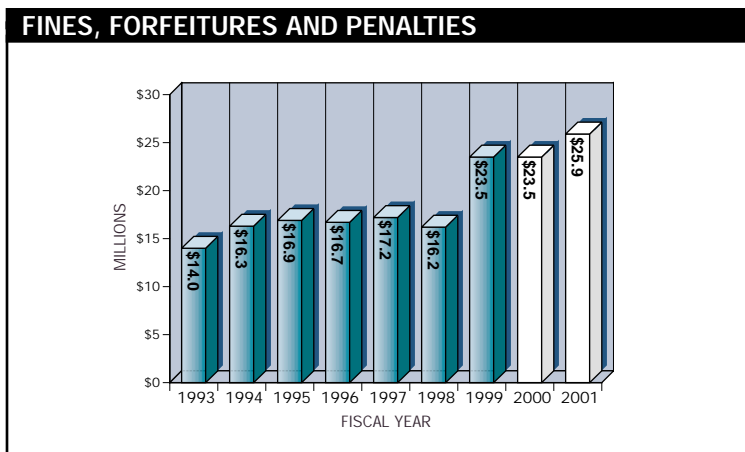
Effective Fiscal Year 1994, the parking citation fine schedule included a \$10 increase to all violations. Revenue increases have not always followed, due to a greater than anticipated deterrent effect of the increased fines. In Fiscal Year 1998 parking citation revenue totaled \$11.4 million. In Fiscal Year 1999 actual receipts increased \$2.5 million over Fiscal Year 1998. The increase can be attributed to the implementation of the City's Parking Ticket System that reflects information in "real time" from the DMV, along with the retention of seasoned Parking Enforcement Officers.

Vehicle Code Violations of \$1.6 million remained flat in Fiscal Years 1997 and 1998. With the passage of Assembly Bill 233, Fiscal Year 1999 receipts have doubled. The bill increased the percentage received by cities from 50% to 100% effective July 1, 1998. The implementation and timing of this bill resulted in a \$1.5 million increase in revenue in Fiscal Year 1999. Fiscal Year 2000 receipts are expected to maintain Fiscal Year 1999 levels.

Proposed Budget Executive Summary

General Fund Revenue

Assembly Bill 1191, related to traffic rules and regulations, was passed in October 1997. This bill calls for the reallocation of fines from failing to stop at red signal lights. Under this new legislation, 30% of these fines will now be allocated to the city or county where the offense occurred, and increased fines for multiple violations also became effective. With the continuing implementation of photo enforcement at intersections, Fiscal Year 1999 receipts were \$889,000. The revenue from fines for failure to stop at red lights is expected to increase substantially in Fiscal Year 2000 and reach \$3.7 million in Fiscal Year 2001.



Proposed Budget Executive Summary

General Fund Revenue

- Total City Budget
\$37,711,467
- General Fund Budget
\$4,900,000
- Percent of General Fund 0.7%
- General Fund Economic
Growth Rate 0.0%

All City Funds are pooled and invested together to facilitate increased flexibility in the management of the portfolio for the purpose of maximizing interest earnings.

REVENUE FROM MONEY AND PROPERTY – INTEREST EARNINGS

Interest Earnings Background:

The City Treasurer is responsible for investing the City's cash assets exclusive of City Pension Trust Funds. All City Funds are pooled and invested together to facilitate increased flexibility in the management of the portfolio for the purpose of maximizing interest earnings. Fund investment must be consistent with the City investment policy and the State's restrictions on types of investments. Investments may extend out to five years, depending on the climate in the investment marketplace and the cash flow requirements of the City.

Interest Earnings Trend:

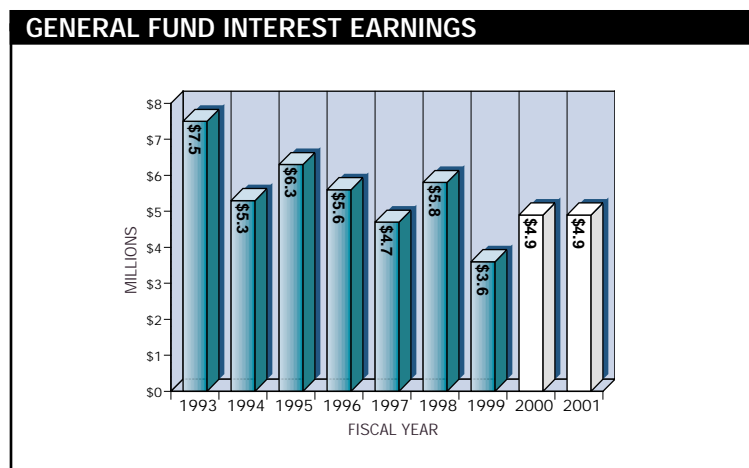
General Fund interest earnings increased significantly in Fiscal Year 1995. Factors that may have contributed to an increase in Fiscal Year 1995 include Federal Reserve actions that raised short-term rates, and greater than anticipated tax receipt cash flows during the later half of the fiscal year. Fiscal Year 1996 interest earnings were approximately 10% lower than Fiscal Year 1995 due to a change in the amount of Tax Anticipation Notes (TANS) issued in Fiscal Year 1996. The total amount issued was reduced to \$53 million from \$68 million in the previous year.

In Fiscal Year 1997 interest earning receipts were approximately \$1 million lower than Fiscal Year 1996. This reduction can be attributed to the organizational restructuring of the City of San Diego, which has resulted in the creation of separate funds and reduction of funds previously included the General Fund. These changes reduced the General Fund's cash on hand and changed its percentage of the total investment pool.

Fiscal Year 1998 receipts were \$5.8 million. This was just below what was budgeted for that year. In Fiscal Year 1999, total General Fund interest earnings were \$3.6 million. In Fiscal Year 2000 interest earnings are projected to reach the budgeted amount of \$4.9 million.

Interest Earnings Future Outlook:

The projections for interest earnings are based on assumptions as to the average amount to be invested and a forecast of the general level of interest rates throughout the fiscal year. The City Treasurer Investment Division is currently managing the core portfolio on a total return basis. Major deviations in returns from one fiscal year to the next can generally be attributed to changes in market interest rates or the actual average amount invested in the fiscal year. Past interest performance is no guarantee of future results.



Proposed Budget Executive Summary

General Fund Revenue

- Total City Budget
\$44,374,515
- General Fund Budget
\$36,760,768
- Percent of General Fund 5.5%
- General Fund
Growth Rate 9.3%

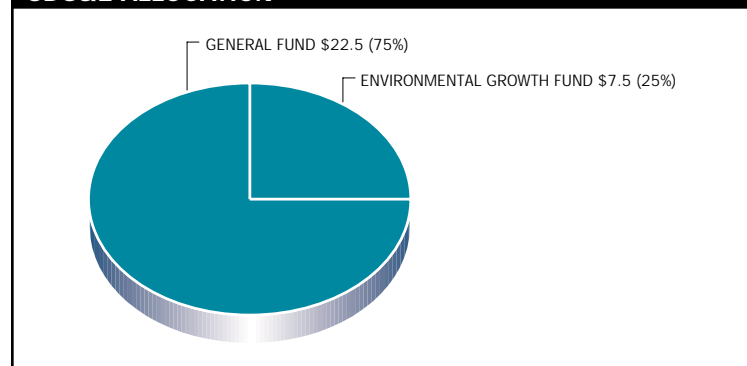
REVENUE FROM MONEY AND PROPERTY – FRANCHISE RENTS

Franchise Rents Background:

Revenue from franchise rents result from agreements that allow utility and cable companies to use the City right-of-way. The largest of the City's five franchise accounts is the revenue resulting from an agreement with San Diego Gas & Electric Company (SDG&E). The revenue derived from this franchise, 3% of the gross sales of gas and electricity within the City, is constrained in terms of how it may be used.

Seventy-five percent of SDG&E franchise revenue is deposited into the General Fund. The remaining 25% is deposited into the Environmental Growth Fund (EGF). One-third of the EGF is used to finance various environmental programs such as litter control. The remaining two-thirds of the EGF is used for debt service on open space acquisition bonds.

SDG&E ALLOCATION



The City of San Diego also receives franchise rent amounting to 3% of gross sales from cable television operations that use the City's right-of-way for transmission cables.

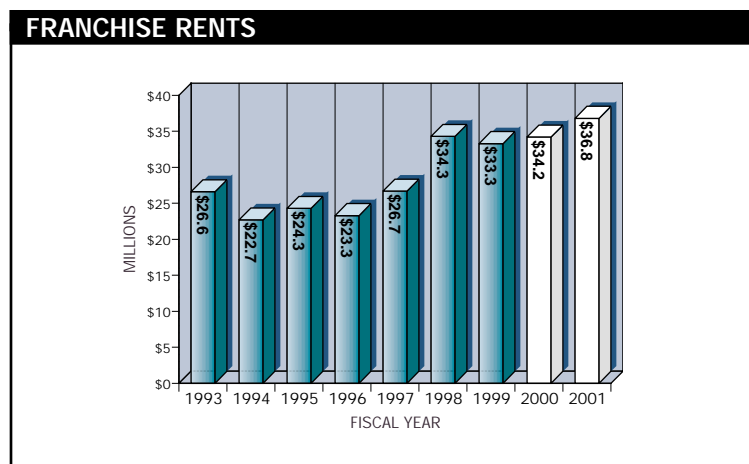
The City of San Diego also receives franchise rent amounting to 3% of gross sales from cable television operations that use the City's right-of-way for transmission cables. Cable franchise rent is derived from Cox Communications and Time Warner Cable. Beginning in Fiscal Year 2000 an agreement was entered into with Metricom, Inc., a provider of wireless internet communication, to pay 5% of gross sales for the use of the City's right-of-way for wireless transmission.

Franchise Rents Trend:

The restructuring of the electrical industry in 1998 sparked competition and changed certain components of gas and electric sales. At the present time, sales on which franchise fees are collected have not been affected. Fiscal Year 1999 refuse collector franchise fees reflected 8% growth over Fiscal Year 1998. For Fiscal Year 2000, franchise fees from this source are expected to remain at Fiscal Year 1999 levels. Expansion in the high tech manufacturing and research component of San Diego's telecommunications equipment has increased dependence on cable modem usage and Internet service providers. Fiscal Year 1999 Cable Franchise receipts reflect a 15.7% increase over Fiscal Year 1998, resulting in total revenue of \$5.3 million.

Franchise Rents Future Outlook:

Cox Communications and Time Warner Cable now offer cable modem internet access to their customers. The growth in this area of service creates a new market that expands the sales base on which franchise fees are collected. Wireless services provided by Metricom, Inc. continue to expand. In addition, competitive cable providers entering the cable market have applied to the City for licensing agreements that will bring in additional revenue.



Proposed Budget Executive Summary

General Fund Revenue

- Total City Budget
\$43,047,443
- General Fund Budget
\$23,721,594
- Percent of General Fund 3.6%
- General Fund
Growth Rate 5.8%

REVENUE FROM MONEY AND PROPERTY – RENTS AND CONCESSIONS

Rents and Concessions Background:

The rents and concessions category in the General Fund includes rents and concessions generated in Balboa Park, Mission Bay Park, and Torrey Pines Golf Course.

In other City funds, revenues of almost \$15.4 million received by Qualcomm Stadium are reflected in this category, almost 75% of its total expected revenues for Fiscal Year 2001. The Golf Course and City Airport Funds also receive rents and concession sources of revenue.

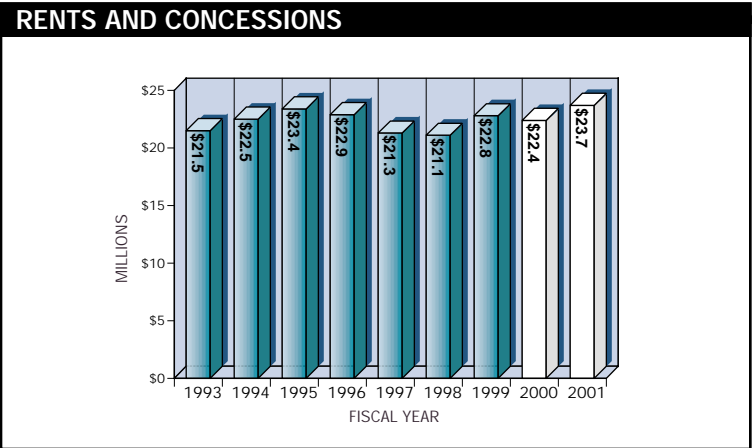
Rents and Concessions Trend:

The largest component of this revenue category in the General Fund is the Mission Bay Park rents and concessions. During Fiscal Year 1998 and 1999, revenue received from this source was \$16.4 million. The majority of this revenue is generated from leases with Sea World, the Marina Village Conference Center, and hotels and marinas within Mission Bay Park. Fiscal Year 2000 year-end estimated receipts are expected to be \$16.5 million. In Fiscal Year 2001 the budget for this revenue source has increased to \$17.2 million.

Other contributing components in rents and concessions are the lease agreements of City Pueblo lands, which are constant at \$2.5 million in Fiscal Year 2001.

Rents and Concessions Future Outlook:

The City is the focal point for tourism in the county. Balboa Park, home of the San Diego Zoo and host of other cultural and recreational activities continues to be one of the region’s major attractions. With the stability of events occurring throughout the City, receipts from rents and concession are projected to increase slightly in Fiscal Year 2001.



Proposed Budget Executive Summary

General Fund Revenue

- Total City Budget
\$171,436,939
- General Fund Budget
\$14,638,054
- Percent of General Fund 2.2%
- General Fund
Growth Rate -0.5%

The subcategories within revenues from other agencies include state grants and allocations, federal grants, and the reimbursement for general City services provided to the Unified Port District.

REVENUE FROM OTHER AGENCIES

Revenue From Other Agencies Background:

A significant amount of revenue received by the City is initially collected by other agencies and then returned (or subvented) to the City. The subcategories within revenues from other agencies include state grants and allocations, federal grants, and the reimbursement for general City services provided to the Unified Port District.

In other City funds, subvention of Gas Tax revenues are reflected in this category, which are estimated to exceed \$22.6 million in Fiscal Year 2001. In addition, the Sewer Fund projects to receive \$25.7 million in revenue from the Federal and State governments, and other entities.

Revenue From Other Agencies Trend:

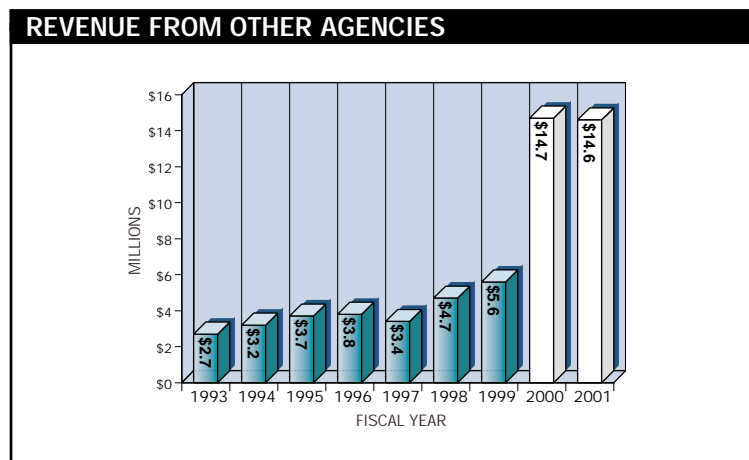
The State Police Officer Standards Training (POST) grant reimbursement was included in the General Fund beginning in Fiscal Year 1995. Since inception the POST grant has been expected to bring in \$750,000 each year. Actual receipts for Fiscal Year 1999 totaled \$815,245. Fiscal Year 2000 revenues are estimated to reach the budgeted amount of \$750,000. Fiscal Year 2001 revenues are budgeted at \$750,000.

Beginning in Fiscal Year 1996, the City began receiving funds to help offset the cost of additional police officers as a result of federal crime legislation. In Fiscal Year 1997 as a result of the same federal crime legislation, the City received \$186,000 from the "COPS Universal" program. Through the COPS Universal Hiring Program the City will receive a total of approximately \$875,000.

Revenue From Other Agencies Future Outlook:

In November 1998, a \$206 billion dollar settlement was announced between the principal U.S tobacco companies and the 46 states that sued the industry to recoup the cost of treating people with smoking related diseases. As a result of the national tobacco litigation settlement the City of San Diego is due to receive \$312 million over 25 years. The first payment from the settlement to the City of San Diego was received in February 2000.

The Fiscal Year 2001 Budget includes a return from the State of funding to cities and counties for booking fee related costs and one-time general purpose relief. The City of San Diego anticipates the return of \$5.2 million from the State for payments made to the County for jail-related expenses.



Proposed Budget Executive Summary

General Fund Revenue

- Total City Budget
\$64,399,131
- General Fund Budget
\$64,399,131
- Percent of General Fund 9.7%
- General Fund Economic
Growth Rate 6.0%

REVENUE FROM OTHER AGENCIES – MOTOR VEHICLE LICENSE FEES

Motor Vehicle License Fees Background:

Motor Vehicle License Fees (MVLFF) are calculated as a percentage of an automobile's market value and are payable annually to the Department of Motor Vehicles at the time of registration. The fees collected are forwarded to the State Controller's Office for administration and are distributed on a per capita basis statewide. Of the total revenue received by the State, cities and counties are apportioned 81.25% and 18.75%, respectively. Notably, because statewide revenues are distributed on a per capita basis, increases to local vehicle sales do not directly translate into local MVLFF revenue increases.

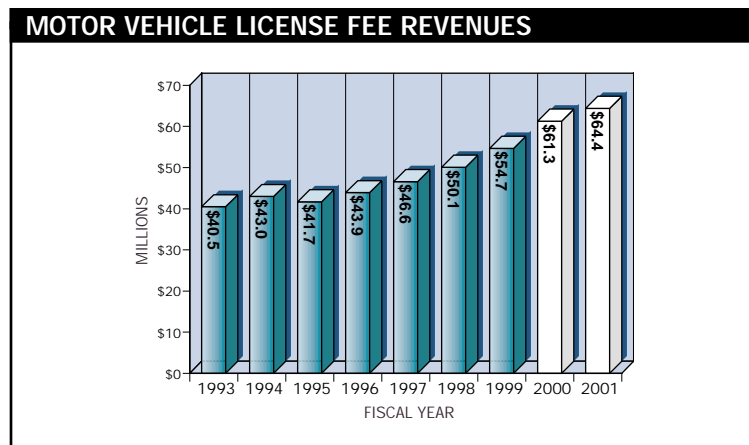
Motor Vehicle License Fees Trend:

New vehicle registration was up 10% in 1999 reflecting major increases in sales of cars, sport utility vehicles and light trucks.

California's economy has been boosted by the "wealth effect" associated with the rising stock market. In addition to the general increase in the market, large gains in equity values specific to California's high-tech firms further boosted the wealth of Californians by increasing the values of stock options granted by high-tech firms to their employees. It appears that California's taxpayers "cashed out" a portion of their accumulated capital gains in 1999 to purchase autos and homes and other big-ticket items. New vehicle registration was up 10% in 1999 reflecting major increases in sales of cars, sport utility vehicles and light trucks. This statewide increase in registration is reflected in MVLFF revenue receipts of \$54.7 million for Fiscal Year 1999, showing a 9.2% over the previous year. Estimates for Fiscal Year 2000 anticipated receipts are approximately \$61 million.

Motor Vehicle License Fees Future Outlook:

Car sales have remained constant, but sales of light trucks and sport utility vehicles have continued to increase. Continued positive growth in consumer spending linked with rising fuel costs, cause cautious expectations of new vehicles sales in Fiscal Year 2001. The MVLF tax credit on the registration of vehicles enacted by the State legislators in 1999 continues to be offset by revenue surplus at the state level with no negative impact for local government.



Proposed Budget Executive Summary

General Fund Revenue

- Total City Budget
\$576,145,943
- General Fund Budget
\$60,505,656
- Percent of General Fund 9.1%
- General Fund
Growth Rate 7.6%

CHARGES FOR CURRENT SERVICES

Charges for Current Services Background:

Expenses that occur in one fund are frequently incurred to benefit another fund. When this occurs, the benefiting fund may reimburse the fund providing the goods and services. Often, this reimbursement includes not only direct expenses, but also indirect expenses and overhead. Examples of such transactions include general government services provided by the General Fund to other City funds, engineering and planning services provided to the Capital Improvements Program, and facility maintenance and repair services provided to Non-General Fund departments. Other charges within this category include library, swimming pool and cemetery fees; repair and damage recoveries; election fees; planning and miscellaneous filing fees; police, fire, engineering, redevelopment and parking citation services; services to the Unified Port District; communication services; and services provided by the Real Estate Assets Department.

The Water and Sewer Funds estimate to receive in excess of \$448.3 million in total for charges for services. In addition, enterprise activities for the Refuse Disposal Fund expect an additional \$29.0 million in this same revenue category.

Charges for Current Services Trend:

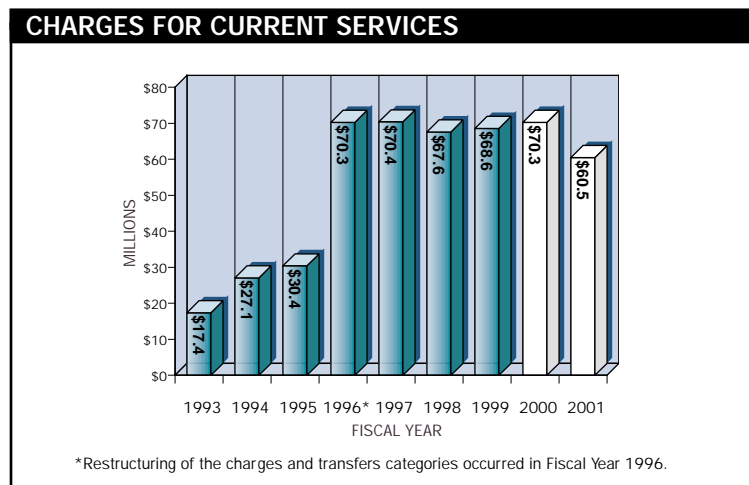
Fiscal Year 2001 General Government and Financial Services provided by General Fund departments to other Enterprise and Special Revenue Funds are estimated to generate approximately \$17.6 million in revenue. Services to the Unified Port District are expected to generate \$2.5 million in revenue. Redevelopment services are estimated to bring in approximately \$1.1 million in Fiscal Year 2001. Revenue of \$5.3 million is attributable to the right-of-way charges to the Water and the Sewer Funds. Other miscellaneous services to City funds include Communication Services, Facilities Maintenance and Redevelopment Services that are estimated to generate \$5.4 million in Fiscal Year 2001.

Proposed Budget Executive Summary

General Fund Revenue

Other major components of this category include charges for Engineering services at \$11.2 million, and Fire Department services of \$2.2 million in Fiscal Year 2001. Fees and charges for Community and Neighborhood services are estimated to reach \$4.5 million, while charges for Police services are estimated at \$2.6 million, with charges for Real Estate Assets Department services estimated to reach \$1.3 million for Fiscal Year 2001.

Modifications to charges may occur with changes to the level of service provided to, or required by, citizens, other City funds or outside agencies. In addition, adjustments to annual overhead rates and departmental fee schedules may affect estimated revenues from year to year.



Proposed Budget Executive Summary

General Fund Revenue

- Total City Budget
\$214,192,674
- General Fund Budget
\$45,514,214
- Percent of General Fund 6.8%
- General Fund Growth
Rate -13.8%

For internal service funds, transfers represent their major source of funding, as they rely on contributions from City departments to fund centralized operations.

TRANSFERS FROM OTHER FUNDS

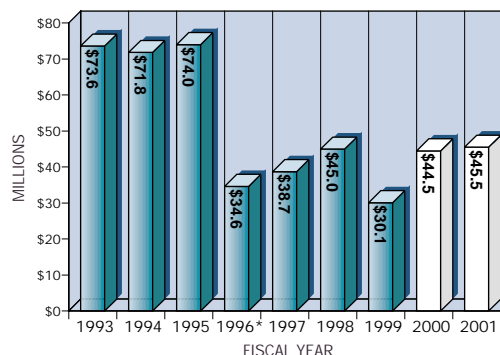
Transfers from Other Funds Background:

The revenues reflected in this category in the General Fund include transfers from the Transient Occupancy Tax/Special Promotional Programs to provide funds for the maintenance of tourist-oriented facilities, and for public safety enhancements, in order to provide ongoing funds for police officers added due to the Public Safety Ordinance during Fiscal Years 1994 through 1998. Additionally, other transfers to the General Fund include the return of unneeded reserves from other funds.

For internal service funds, transfers represent their major source of funding, as they rely on contributions from City departments to fund centralized operations. Total internal service fund revenue in this category is Proposed to reach \$88.1 million in Fiscal Year 2001.

Other funds, like the Street Division Operating Fund, provide a mechanism where related funding sources, like Gas Tax, TransNet and Storm Drain revenues, can be programmed and expended in a collective fashion for related purposes. Because these revenues are initially received in their respective funds, revenue to the Street Division Operating Fund is reflected in the transfer category, and is estimated to reach \$45.6 million in Fiscal Year 2001.

TRANSFERS FROM OTHER FUNDS



*Restructuring of the Charges and Transfer categories occurred in Fiscal Year 1996.

OTHER REVENUE

In the General Fund, Other Revenue reflects revenue received from the sale of excess materials and inventory, and the sale of publications.

For other City funds, Other Revenue can include revenue expected from grants and revenues not easily classifiable in other revenue categories. For Fiscal Year 2001, this category includes the expected receipt of close to \$31 million in Commercial Paper for the TransNet Fund, some of which was deferred in the current fiscal year, due to the effective cash management efforts which utilize cash on hand when available before incurring debt.

An additional \$190 million in total for the Water and Sewer funds is also reflected in this category for Fiscal Year 2001. This is comprised of expected bond proceeds of almost \$100 million for the Water fund, and \$90 million for the Sewer fund for projects contained in the Capital Improvements Program.

- Total City Budget
\$316,977,128
- General Fund Budget
\$957,968
- Percent of General Fund 0.1%
- General Fund
Growth Rate 47.6%

